



Transportation Finance Issues: Indexing

How does indexing work?

- The largest source of revenue for the Transportation Fund is the state gas tax.
- Unlike the sales tax revenue that go into the General Fund, there is no natural growth in state gas tax revenue. The flat “per gallon” rate remains the same even as the price of gasoline rises.

Indexing inflation-proofs Wisconsin’s gas tax

- To maintain the purchasing power of the state gas tax, the Legislature created an annual indexing adjustment beginning in 1985.
- The mechanism originally called for the state gas tax to be adjusted annually based on inflation and overall fuel consumption. In 1997, the Legislature removed the consumption factor from the indexing formula. Indexing is now based on changes in the Consumer Price Index from one year to the next.
- The largest indexing adjustment was a nine-tenths of a cent increase. Two indexing adjustments have resulted in a **decrease** in the state gas tax.

History of indexing and statutory adjustments since 1985

1985	16.5	Index adjustment
1986	17.5	Index adjustment
1987	18.0	Index adjustment
1987 (Aug. 1)	20.0	Statutory
1988	20.9	Index adjustment
1989	20.8	Index adjustment
1990	21.5	Index adjustment
1991	22.2	Index adjustment
1992	22.2	Indexing suspended
1993	23.2	Index adjustment
1994	23.1	Index adjustment
1995	23.4	Index adjustment
1996	23.7	Index adjustment
1997	23.8	Index adjustment
1997 (Nov. 1)	24.8	Statutory
1998	25.4	Index adjustment
1999	25.8	Index adjustment
2000	26.4	Index adjustment
2001	27.3	Index adjustment
2002	28.1	Index adjustment
2003	28.5	Index adjustment

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